CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 28, 2006

S. 3569
United States-Oman Free Trade Agreement Implementation Act

As ordered reported by the Senate Committee on Finance on June 28, 2006

SUMMARY

S. 3569 would approve the free trade agreement between the government of the United States and the government of Oman that was entered into on January 19, 2006. It would provide for tariff reductions and other changes in law related to implementation of the agreement.

The Congressional Budget Office estimates that enacting the bill would reduce revenues by $15 million in 2007, by $111 million over the 2007-2011 period, and by $271 million over the 2007-2016 period, net of income and payroll tax offsets. CBO estimates that enacting S. 3569 also would increase direct spending by $1 million in 2007, $6 million over the 2007-2011 period, and $10 million over the 2007-2016 period. Further, CBO estimates that implementing the legislation would incur new discretionary spending of less than $1 million per year, assuming the availability of appropriated funds.

CBO has determined that S. 3569 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not directly affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 3569 over the 2007-2016 period is shown in the following table. The cost for spending under this legislation falls within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CHANGES IN REVENUES										
Changes in Revenues	-15	-21	-23	-25	-26	-28	-30	-32	-34	-37
CHANGES IN DIRECT SPENDING										
Estimated Budget Authority	1	1	1	1	1	1	1	1	0	0
Estimated Outlays	1	1	1	1	1	1	1	1	0	0

NOTE: Negative changes in revenues and positive changes in direct spending correspond to increases in budget deficits.

BASIS OF ESTIMATE

Revenues

Under the United States-Oman agreement, tariffs on U.S. imports from Oman would be phased out over time. The tariffs would be phased out for individual products at varying rates according to one of several different timetables ranging from immediate elimination on the date the agreement enters into force to gradual elimination over 10 years. According to the U.S. International Trade Commission, the United States collected about $20 million in customs duties in 2004 on $422 million of imports from Oman. Those imports consist largely of various types of apparel articles and oils. Based on these data, CBO estimates that phasing out tariff rates as outlined in the U.S.-Oman agreement would reduce revenues by $15 million in 2007, by $111 million over the 2007-2011 period, and by $271 million over the 2007-2016 period, net of income and payroll tax offsets.

This estimate includes the effects of increased imports from Oman that would result from the reduced prices of imported products in the United States, reflecting the lower tariff rates. It is likely that some of the increase in U.S. imports from Oman would displace imports from other countries. In the absence of specific data on the extent of this substitution effect, CBO assumes that an amount equal to one-half of the increase in U.S. imports from Oman would displace imports from other countries.

Direct Spending

This legislation would exempt certain goods imported from Oman from merchandise processing fees collected by the Department of Homeland Security. Such fees are recorded as offsetting receipts (a credit against direct spending). Based on the value of goods imported from Oman in 2005, CBO estimates that implementing this provision would reduce fee collections by about $1 million in fiscal year 2007 and in each year through 2014, for a total of $10 million over the 2007-2014 period. There would be no effects in later years because the authority to collect merchandise processing fees expires at the end of 2014.

Spending Subject to Appropriation

Title I of S. 3569 would authorize the appropriation of necessary funds for the Department of Commerce to pay the United States' share of the costs of the dispute settlement procedures established by the agreement. Based on information from the agency, CBO estimates that implementing this provision would cost less than $1 million per year, subject to the availability of appropriated funds.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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